

Message Text

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ORIGIN EB-08

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TAGS: EPAP, ETRD, CH, US

SUBJECT: US DUTY ON APPARREL
REF: PEKING 2226

1. IN RESPONSE TO QUESTIONS REFTTEL, ANY ITEM THAT IS MANUFACTURED PRODUCED, OR HAS UNDERGONE A SUBSTANTIAL TRANSFORMATION IN THE PRC BECOMES A PRODUCT OF THE PRC, AND IS ASSESSED DUTY ON ITS FULL VALUE UNDER COLUMN TWO, REGARDLESS OF THE ORIGIN OF RAW MATERIALS, PARTS, OR COMPONENTS. CUTTING AND FINISHING CLOTH IS A SUBSTANTIAL TRANSFORMATION AND FINISHED GARMENTS WOULD THUS BE ASSESSED COLUMN TWO RATES ON THEIR FULL VALUE.

2. NORMALLY, CUT PIECES OF CLOTH IMPORTED FROM THE US AND UNCLASSIFIED

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STICHED IN THE PRC WOULD FALL UNDER SECTION 807 OF THE TSUS AND WOULD BE SUBJECT TO COLUMN TWO RATES ON THE VALUE OF THE FINAL PRODUCT LESS THE VALUE OF U.S. COMPONENTS. HOWEVER, THE CUSTOMS SERVICE REVIEWS EACH APPLICATION UNDER 807 OF THE TSUS, AND IMPORTERS OR EXPORTERS ARE ADVISED TO SEEK THE ADVISE OF THE CUSTOMS SERVICE ON A CASE-BY-CASE BASIS TO VERIFY THAT WHAT THEY PLAN TO DO IS

ALLOWABLE UNDER 807. GARMENTS ASSEMBLED IN THE PRC FROM

THIRD COUNTRY (COLUMN ONE) CUT PIECES WOULD BE SUBJECT TO COLUMN TWO DUTY RATES ON THEIR FULL VALUE.

3. ELECTRONIC EQUIPMENT GENERALLY FOLLOWS THE SAME RULES. IF THE ITEM HAS UNDERGONE SUBSTANTIAL TRANSFORMATION IN THE PRC, THEN IT IS A PRODUCT OF THE PRC AND IS SUBJECT TO COLUMN TWO DUTY ON ITS FULL VALUE. IF HOWEVER, ELECTRONIC COMPONENTS FROM THE US ARE SHIPPED TO THE PRC FOR ASSEMBLY ONLY, AND THEN RE-EXPORTED TO THE US, NORMALLY COLUMN TWO DUTY WOULD BE ASSESSED ONLY ON THE VALUE OF THE FINAL PRODUCT LESS THE VALUE OF THE U.S. PARTS. ELECTRONIC EQUIPMENT ASSEMBLED IN THE PRC FROM THIRD COUNTRY (COLUMN ONE) COMPONENTS WOULD BE SUBJECT TO COLUMN TWO DUTY RATES ON THE FULL VALUE OF THE PRODUCT.

4. AS A GENERAL RULE AN ARTICLE THAT HAS UNDERGONE A SUBSTANTIAL TRANSFORMATION ACQUIRES THE ORIGIN OF THE COUNTRY WHERE IT WAS SUBSTANTIALLY TRANSFORMED, AND PAYS DUTY ON THE FULL VALUE OF THE GOOD. AN ARTICLE HAS UNDERGONE SUBSTANTIAL TRANSFORMATION IF IT HAS UNDERGONE A PROCESS THAT CHANGES IT FROM ITS COMPONENT PARTS TO A NEW PRODUCT.

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5. UNDER 807 OF THE TSUS, GOODS ASSEMBLED OVERSEAS FROM US-MADE PARTS PAY DUTY ONLY ON THE FULL VALUE OF THE GOODS LESS THE VALUE OF THE PARTS. AN ASSEMBLY OPERATION IS ONE IN WHICH PARTS ARE PUT TOGETHER TO FORM A FINAL PRODUCT, PROVIDED THAT THE COMPONENT PARTS HAVE NOT LOST THEIR IDENTITY AND THAT THE PARTS HAVE NOT BEEN FURTHER PROCESSED, IMPROVED, OR CHANGED. HOWEVER EXPORTERS AND IMPORTERS SHOULD SEEK THE ADVICE OF THE CUSTOMS SERVICE TO DETERMINE IF THEIR OPERATION WILL QUALIFY UNDER 807. THE RULES IN THIS FIELD ARE COMPLEX BY NECESSITY, AND THE EXACT LIMITS OF THE DEFINITIONS OF ASSEMBLY AND SUBSTANTIAL TRANSFORMATION HAVE EVOLVED OVER THE YEARS ON A PRODUCT-BY-PRODUCT BASIS AS A RESULT OF CUSTOMS SERVICE AND COURT RULING ON INDIVIDUAL PRODUCTS. CHRISTOPHER

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